

Lottery Control Board
Regular Session Minutes
January 23, 2013
Chicago/Springfield via video conferencing

Lottery Control Board Members in attendance in Chicago: Gary Fencik, Chairman, Robert Anthony Christian, Geoffrey A. Richards, Paul Schaefer (Springfield)

Lottery Staff in attendance in Chicago: Michael Jones, *Superintendent*, Victor Golden, *Deputy Superintendent*, Sara Barnett, *Chief of Staff*, Jen Acker, *Deputy Chief of Staff*, Daymon Ruttenberg, *General Counsel*, Shelly Banks, *Chief Internal Auditor*, Nora Iniguez, *Lottery Control Board Secretary*

Lottery Staff in Springfield: Jim Scroggins, *Chief Financial Officer*, Harold Mays, *Chief Operation & Technology Officer*, Bret Finley, *Finance Manager*, Tiffany Blair, Mike Lang, *Media & Player Relations*, Jen Edwards, *Finance Assistant*

Other attendees: (Chicago) - Kathy Gilroy, *IL Church Action on Alcohol Problems*, Rob Karr and Bryan McLaughlin, *IL Retail Merchants Association*, Jim Bayei, *7Eleven/Corporate office*, Marco Tasso, *CEO/Northstar*, Francesco Parola, *VP of Sales & Marketing/Northstar*, Scott Howarth, *Strategic Planning/Northstar* (Springfield)-Anita Bedell, *IL Church Action on Alcohol Problems*

CALL TO ORDER

Gary Fencik, Board Chairman called meeting to order with a quorum present at 10:50am.

APPROVAL OF MINUTES

Chairman Gary Fencik moved the Board to approve the minutes of its previous meeting which was held on 10/10/12. Members Christian seconded the motion. The Board approved the motion unanimously by roll call vote.

OLD BUSINESS

Administrative Hearing Review-Daymon Ruttenberg

General Counsel reviews appeal process to the Board on the appeal process regarding decision issued by Administrative Law Judge White in favor of the Lottery Department.

Pursuant to the Administrative Rules, Claimants are able to appeal decisions of Administrative Law Judges to the Board. The Board then recommends to Superintendent Jones whether he should affirm the decision of the Administrative Law Judge or overturn it in favor of the Claimant. The Board had previously reviewed case, and motioned to affirm decision of law judge.

NEW BUSINESS

Superintendent's Report/Michael Jones

- Harold Mays, Chief Operation & Technology Officer, is introduced as new member of Lottery Senior Staff. He is a Chicago native with a degree

in electrical engineering from IIT and came from working with CMS as Director of Communication and Computer services.

- New advertising campaign to highlight Powerball and Mega Million jackpots. New fifteen second spots will be produced, directed and starred by Andy Richter from the Conan O'Brien show.
- Cash for life games will be introduced in a new refreshed way by new instant game in different prize points called The Good Life/ **\$2,000, \$5,000 or \$20,000** a week for **20 years**. Prize reflects more accurately on what you get paid and graphics will appeal to a wider audience.
- Specialty ticket **Mission Move** now named **MS Project**. All specialty tickets will have a \$2 prize point instead of \$3. Lottery in process of investigating how to do terminal games instead of instants with the Specialty games so they can be put on sale immediately. Funds from this game are distributed to MS Society by Department of Public Health and MS sub grants to various research projects that have to go through an application process.

Sales/Victor Golden

- Total sales figures shown to Board via power point presentation for instants, and online sales (terminal generated games) for 2011 vs. 2012 and fiscal year 2013 YTD. There were two major drawings with high jackpots for Powerball and Mega Million that helped with online sales and the *4Million Gold Bullion* instant ticket being our top seller with almost 58M in sales.
- Specialty tickets brought in a total of \$31M
- Internet sales drew in approximately 4M in sales with the sale of Lotto, Mega Million and now Powerball in the mix. New user interface was introduced making registration and purchasing tickets hassle free.

Financial Update/Jim Scroggins

- Working on reconciling Lottery financials with net income as defined in Private Management Act. Process has been difficult and the delay in getting accurate numbers is due to 2012 being a time of transition for our finance department with staff changes, PMA coming on board, and the Lottery becoming a separate agency from Revenue.

Audit/Shelly Banks

- There are currently three audits being conducted within the Lottery Department; financial, GTECH SOC 1, and an internal audit verifying compliance with the Private Management Act. Results will be available for the Board to review once results are issued by the Audit General.

Legal Update/Daymon Ruttenberg

- General Counsel gave an update on the adjustment made by the third party professional on the requested reduction of well over \$100 million for the FY12 net-income level submitted by Northstar through a series of seven letters. Numbers submitted are the requested amounts versus the preliminary and final

determination by Berliner (third party professional). The initial downward request was that of 262.9M over five fiscal years, FY12-16.

Legislative/Jen Acker

- Jen Acker introduced herself as the new Deputy Chief of Staff with a concentration on the legislative side of Lottery. She graduated from law school in California and came from the Governor's office. She is currently working on taking the bar exam for Illinois.
- Legislative recaps include: Powerball being added to internet sales and possibly expanding games that we can sell on-line. Technical cleanup bill involves the Lottery Department's separation from the Department of Revenue and all outstanding issues. Specialty funds initiative is an introduction of new bills to introduce new Specialty tickets. One in particular would be related to schools where funds would be directed based on sales in certain zip codes.
- I-Gaming (Federal legislative update)-making online poker, other casino games legal. Senate-President Cullerton introduced Internet gaming bill but did not pass. On a federal level, there have been efforts to restrict the states' ability to offer Internet gaming.

Private Manager Report/Marco Tasso

- Website has been updated with an interface that is user- friendly, simple and convenient allowing the consumers to play first and then register when purchasing Lotto, Mega Millions, or Powerball tickets via the internet.
- I Game account is set up for monies to be transferred for future use or money can be withdrawn.
- High Powerball jackpot increased subscriptions with 10,000 new entries.

Other Business

- Future Lottery Control Board meetings finalized for 2013-04/17, 07/17, & 10/16/13.
- Executive Vice President of the Illinois Retail Association presented the Lottery Control Board with a letter addressing concerns that the Retail Merchants, 7-Eleven franchises and the Illinois Food Retailers have in various changes the Lottery has made in regards to the *Cash for Life* instant tickets, new advertising strategy, delivery of point of sale information, and the importance and need for an Internet Lottery Study Committee.
- Jim Bayei from the 7-Eleven franchise addressed Board on their interest in working with the Illinois Lottery with Internet Gaming.

ADJOURNMENT

At 12:30 p.m., Member Christian presented motion for adjournment and to move to a closed session. Chairman Fencik calls for a vote and all members in favor.

Respectfully submitted,
Nora Iniguez/Lottery Control Board Secretary